

Ms. Jackie Garner  
Director  
Illinois Department of Public Aid  
201 South Grant Avenue East  
Springfield, IL 62763-0002

Dear Ms. Garner:

We are pleased to inform you that your application for a demonstration, entitled "KidCare Parent Coverage Demonstration," as modified by the Special Terms and Conditions accompanying this award letter, has been approved as project No. 21-W-00011/5 and 11-W-000159/5. This approval will provide for coverage primarily of parents of children enrolled in Medicaid and the State Children's Health Insurance Program (SCHIP). This demonstration is approved for a period of 5 years beginning October 1, 2002, through September 30, 2007. This approval is under the authority of section 1115 of the Social Security Act (the Act), and is a part of the Health Insurance Flexibility and Accountability (HIFA) initiative. Under HIFA, the Administration puts a particular emphasis on broad statewide coverage approaches like Illinois's that target Medicaid and SCHIP resources to populations with incomes below 200 percent of the Federal poverty level (FPL) seeking to maximize private health insurance coverage options.

Enclosed are the Special Terms and Conditions that define the nature, character, and extent of anticipated Federal involvement in the project. The award is subject to our receiving your written acceptance of the award, including the Special Terms and Conditions, within 30 days of the date of this letter.

All requirements of the Medicaid and SCHIP programs expressed in law, regulation, and policy statement, not expressly waived or identified as not applicable in this letter, shall apply to the KidCare Parent Coverage Demonstration.

Under the authority of section 1115(a)(1) of the Act, the following waivers of Medicaid and SCHIP state plan requirements contained in section 1902 and 2103 of the Act are granted to enable Illinois to carry out the KidCare Parent Coverage demonstration through this period.

Note: through out this document, the term “Rebate” refers to premium assistance for the purchase of private insurance or for the employee share of employer-sponsored insurance.

1. Amount, Duration and Scope of Services Section 1902(a)(10)(B)

To enable the State to modify the Medicaid benefit package to offer a different benefit package than would otherwise be required under the state plan. This authority is granted only to the extent necessary to allow certain optional Medicaid eligibles (as described in the application and in the Special Terms and Conditions) to elect to receive coverage through a private or employer-sponsored insurance plan, which may offer a different benefit package than that available through the state plan. As described in the Special Terms and Conditions, such enrollment in a private or employer-sponsored plan is voluntary and the family may elect to switch to direct state coverage at any time, and families will be fully informed of the implications of choosing premium assistance rather than direct State coverage.

2. EPSDT Section 1902(a)(43)(A)

To enable the State to not cover certain services required to treat a condition identified during an EPSDT screening. This approval is granted only to the extent necessary to allow families of certain optional Medicaid children (as described in the application and in the Special Terms and Conditions) to elect to receive coverage for the children through a private or employer-sponsored insurance plan, which may not offer the full range of EPSDT services. As described in the Special Terms and Conditions, such enrollment in a private or employer-sponsored plan is voluntary and the family may elect to switch to direct state coverage at any time, and families will be fully informed of the implications of choosing premium assistance rather than direct state coverage.

3. Benefit Package Requirements Section 2103  
42 CFR 457.410(b)(1)

To permit the State to offer a benefit package that does not meet the requirements of section 2103 and 42 CFR 457.410(b)(1). This approval is granted to the extent necessary to allow families of certain SCHIP children (as described in the application and in the Special Terms and Conditions) to elect to receive coverage for the children through a private or employer-sponsored insurance plan, which may not offer an SCHIP benefit package and may not offer well-baby and well-child care services as defined by the State. The State will offer immunizations to these children whose private or employer-sponsored insurance does not cover immunizations. As described in the Special Terms and Conditions, such enrollment in a private or employer-sponsored plan is voluntary and the family may elect to switch to direct state coverage at any time, and families will be fully informed of the implications of choosing premium assistance rather than direct state coverage.

4. Cost Sharing Requirements

Section 2103(e)

To permit the State to impose cost sharing in excess of statutory limits. This approval is granted to the extent necessary to allow families of certain SCHIP children (as described in the application and in the Special Terms and Conditions) to elect to receive coverage for the children through a private or employer-sponsored insurance plan, which may require cost sharing in excess of the SCHIP limits. As described in the Special Terms and Conditions, such enrollment in a private or employer-sponsored plan is voluntary and the family may elect to switch to direct State coverage at any time, and families will be fully informed of the implications of choosing premium assistance rather than direct state coverage.

**Medicaid Costs Not Otherwise Matchable**

Under the authority of section 1115(a)(2) of the Act, state expenditures described below (which would not otherwise be included as matchable expenditures under section 1903) shall, for the period of the project, be regarded as expenditures under the State's title XIX plan. All requirements of the Medicaid statute will be applicable to such expenditures, except those waived above and those specified below as not applicable to these expenditure authorities. In addition, all requirements in the enclosed Special Terms and Conditions will apply to these expenditure authorities.

Expenditures to provide services to the following demonstration population:

**Demonstration Population 1:** Children with incomes above the Medicaid mandatory eligibility level through 185 percent of FPL, with employer-sponsored or private insurance, who elect to receive rebate coverage.

**Demonstration Population 2:** Children with incomes above 133 percent of FPL through 185 percent of FPL, with employer-sponsored or private insurance, who elect to receive direct coverage instead of a premium rebate.

**Demonstration Population 3:** Parents with incomes above the Medicaid mandatory levels to the Medical Assistance – No Grant (MANG) level who elect to receive rebate coverage when they obtain employer sponsored or private insurance and parents with incomes above the MANG level through 185 percent of FPL, with employer-sponsored or private insurance, who elect to receive rebate coverage.

**Demonstration Population 4:** Parents with incomes above the MANG level through 185 percent of FPL, with employer-sponsored or private insurance, who elect to receive direct coverage instead of a premium rebate.

**Medicaid Requirements not Applicable to the Medicaid Expenditure Authority:**

**Cost Sharing, Section 1902(a)(14).**

Rules governing cost sharing under section 1902(a)(14) shall not apply with respect to members of Demonstration Populations 1 and 3 who elect to receive coverage through a private or employer-sponsored insurance plan, to the extent that their insurance plan requires cost sharing in excess of Medicaid limits.

**Retroactive Coverage, Section 1902(a)(34).**

For KidCare Rebate participants in Demonstration Populations 1, 3, 5, and 6, retroactive Medicaid eligibility will not be available for any time period for which a rebate payment was previously made.

**SCHIP Costs Not Otherwise Matchable**

In addition, also under the authority of section 1115(a)(2) of the Act as incorporated into title XXI by section 2106(e)(2)(A), state expenditures described below (which would not otherwise be included as matchable expenditures under title XXI), shall for the period of this project and to the extent of the State's available allotment under section 2104 of the Act, be regarded as matchable expenditures under the state's title XXI plan. All requirements of the title XXI statute will be applicable to such expenditures, except those waived above and those specified below as not applicable to these expenditure authorities. In addition, all requirements in the enclosed Special Terms and Conditions will apply to these expenditure authorities.

Expenditures to provide services to the following demonstration population:

**Demonstration Population 5:** Children with incomes from the Medicaid mandatory level through 185 percent of FPL, without other employer-sponsored or private insurance, who elect to receive rebate coverage once they obtain private or employer-sponsored insurance.

**Demonstration Population 6:** Parents with incomes from the MANG level through 185 percent of FPL, without other employer-sponsored or private insurance, who are not eligible for Medicaid coverage, who are covered in direct coverage, or who elect to receive rebate coverage once they obtain private or employer-sponsored insurance.

**Demonstration Population 7:** Participants in the Illinois Comprehensive Health Insurance program with net incomes up to and including 185 percent of the FPL (as defined in the Special Terms and Conditions and Operational Protocol), who are not eligible for Medicaid coverage and do not have Medicare or other health insurance coverage.

**Demonstration Population 8:** Participants in the Illinois Hemophilia program with net incomes up to and including 185 percent of the FPL (as defined in the Special Terms and Conditions and Operational Protocol), who are not eligible for Medicaid coverage and do not have Medicare or other health insurance coverage.

**SCHIP Requirements Not Applicable to the SCHIP Expenditure Authority:**

**1. General Requirements, Eligibility and Outreach- Section 2102**

The State child health plan does not have to reflect the demonstration populations, and eligibility standards do not have to be limited by the general principles in section 2102(b). The State must perform eligibility screening to ensure that applicants for any of the demonstration populations who are eligible for mandatory Medicaid are enrolled in that program and not in the demonstration populations 5, 6, 7, or 8.

**2. Restrictions of Coverage and Eligibility to Targeted Low-Income Children -Sections 2102 and 2110**

Coverage and eligibility for the demonstration populations are not restricted to targeted low-income children.

**3. Cost Sharing- Section 2103(e)**

Rules governing cost sharing under section 2103(e) shall not apply to demonstration populations 5 and 6 who elect to receive coverage through a private or employer-sponsored insurance plan, which may require cost sharing in excess of the SCHIP limits. In addition, these rules do not apply to Demonstration Populations 7 and 8 to the extent necessary to allow the State to impose cost sharing in the Illinois Comprehensive Health Insurance and Hemophilia programs and as specified in the Operational Protocol.

**4. Federal Matching Payment and Family Coverage Limits-Section 2105**

Federal matching payment is available in excess of the ten-percent cap for expenditures related to the demonstration populations and limits on family coverage are not applicable with respect to the demonstration populations. Federal matching payments remain limited by the allotment determined under section 2104. Expenditures other than for coverage of the demonstration populations remain limited in accordance with section 2105(c)(2).

## **5. Benefit Package Requirements-Section 2103**

To permit the state to offer a benefit package that does not meet the requirements of section 2103 of 42 CFR 457.410(b)(1). These requirements do not apply to Demonstration Populations 7 and 8 to the extent necessary to allow the State to offer a different benefit package to individuals in the Illinois Comprehensive Health Insurance and Hemophilia programs and as specified in the Operational Protocol.

## **6. Annual Reporting Requirements Section 2108**

Annual reporting requirements do not apply to the demonstration populations.

The State will establish a process to ensure that demonstration expenditures do not exceed the State's available title XXI funding. Title XXI funding will be used to provide coverage in the following priority order: first to children eligible under the title XXI state plan, and then for Demonstration Population 5, then Demonstration Population 6, then Demonstration Population 7, the Demonstration Population 8.

As outlined above and in the Special Terms and Conditions, this approval authorizes Federal matching for certain state-funded programs. No Federal funding for any state programs not mentioned above, or for participants in these programs not income-eligible according to the Special Terms and Conditions and Operational Protocol, or for participants with insurance including Medicare, will be permitted. In addition, the State will monitor state expenditures across the demonstration populations to ensure that the maintenance of effort requirement for state expenditures is met.

We are granting the new expenditure authorities listed above to demonstrate whether expanding eligibility for coverage of parents of Medicaid and SCHIP children, and the demonstration populations listed above, will improve the overall health of the community, and reduce rates of uninsurance. This result would promote the objectives of the Act.

Congratulations on the approval of your innovative approach to expanding health insurance coverage. Your project officer is Ms. Donna Schmidt. Ms. Schmidt is available to answer any questions concerning implementation of your section 1115 demonstration and can be reached at (410) 786-5532. Her address is:

Centers for Medicare & Medicaid Services  
Center for Medicaid and State Operations  
Mail Stop S2-01-16  
7500 Security Boulevard  
Baltimore, Maryland 21244-1850  
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Official communications regarding program matters should be sent simultaneously to the project officer and to Cheryl A. Harris, Associate Regional Administrator for the Division of Medicaid and Children's Health in the Chicago Regional Office. The address is:

Centers for Medicare & Medicaid Services

Region V

233 N. Michigan Avenue, Suite 600

Chicago, Illinois 60601

Email: [Charris2@cms.hhs.gov](mailto:Charris2@cms.hhs.gov)

We look forward to continuing working with you and your staff.

Sincerely,

Thomas A. Scully

Enclosure